

Abbott 3Q profit falls on Solvay, Meridia costs

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(AP) -- Drug and medical device maker Abbott Laboratories said Wednesday its third-quarter net income dropped 40 percent on costs connected with its purchase of Solvay Pharmaceuticals and its decision to withdraw the diet drug Meridia from the U.S. and Canadian markets.

Despite those higher costs, the company still edged past [Wall Street earnings](#) expectations as sales of its best-selling drug Humira continued to climb.

Analysts said Abbott's results were "solid," and contrasted them with competitor Johnson & Johnson, which reported anemic growth Tuesday after a string of quality problems with its over-the-counter medicines. Both companies sell a wide variety of products, ranging from baby formula to drug-coated stents.

Abbott, based in North Chicago, Ill., earned \$891 million, or 57 cents per share, down from \$1.48 billion, or 95 cents per share, a year ago. Excluding costs related to the Solvay deal, the Meridia withdrawal, and the recall in September of its Similac powdered baby formula, Abbott said its profit totaled \$1.05 per share.

Analysts polled by Thomson Reuters expected a profit of \$1.04 per share on average.

Abbott posted charges of \$513 million, or 33 cents per share, connected

with the acquisition of Solvay and restructuring costs following that purchase. After pulling Meridia off the market in early October, it took an impairment charge of \$158 million, or 10 cents per share. It also recorded a charge of \$70 million, or 5 cents per share, for the withdrawal of Meridia and for the Similac recall.

The company recalled 5 million containers of Similac because of possible contamination from insect parts. On a call with analysts, Larry Peepo, vice president of investor relations, said the company is working to minimize harm to its brand after the recall was made public.

"I think the business has done a really good job of aggressively taking actions to ensure that customers remain loyal, and we've gotten good feedback from our customers on how we responded after the recall," Peepo said.

The company agreed to take Meridia off the U.S. and Canadian market after studies showed it could increase the risk of heart attacks and strokes in patients with a history of heart disease. European regulators pulled Meridia off the market in January.

Revenue rose 12 percent to \$8.68 billion from \$7.76 billion, as sales of the rheumatoid arthritis and immune disorder drug Humira climbed 13 percent to \$1.68 billion. But the result fell short of Wall Street estimates, as analysts were expecting \$8.92 billion, on average.

Abbott acquired Belgium-based Solvay for \$6.2 billion in February as part of an effort to diversify its sales beyond Humira. In September, it said it expected around \$1.3 billion in charges over the next two years as it integrates Solvay into its business. The charges include the cost of eliminating 3,000 jobs, most of which are part of Solvay's operations.

Chief Financial Officer Tom Freyman said the company will see cost

savings from streamlined operations as it continues integrating Solvay and other recent acquisitions.

"We're finding back office efficiencies in the various companies, and we're able to drive some pretty nice benefits starting in 2011," Freyman said.

Abbott said the acquisition of Solvay helped boost its international pharmaceutical sales. Worldwide pharmaceutical revenue grew 22 percent. During the third quarter, the company bought Piramal Healthcare Solutions, one of the biggest generic pharmaceutical suppliers in India. Abbott also bought Facet Biotech Corp. earlier this year.

Nutritional product sales fell 1.5 percent to \$1.37 billion, while diagnostics revenue edged up less than 1 percent to \$916 million and vascular product sales increased 19 percent to \$790 million.

Abbott also boosted the low end of its 2010 profit forecast to \$4.16 to \$4.18 per share excluding one-time costs. It had expected \$4.13 to \$4.18 per share. Analysts expect \$4.16 per share, on average.

Shares of Abbott fell 97 cents, or 1.8 percent, to \$51.90 in morning trading.

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